Iowa Farm Science

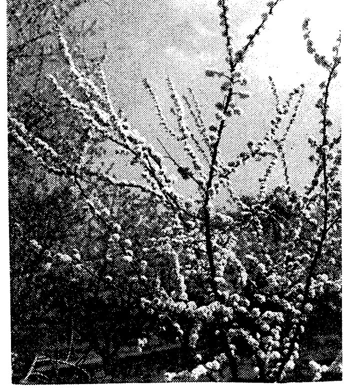
Volume 10 | Number 11 Article 4

5-1956

1956 Spring Farm Outlook

Iowa Farm Science Editorial Board

1956 Spring....

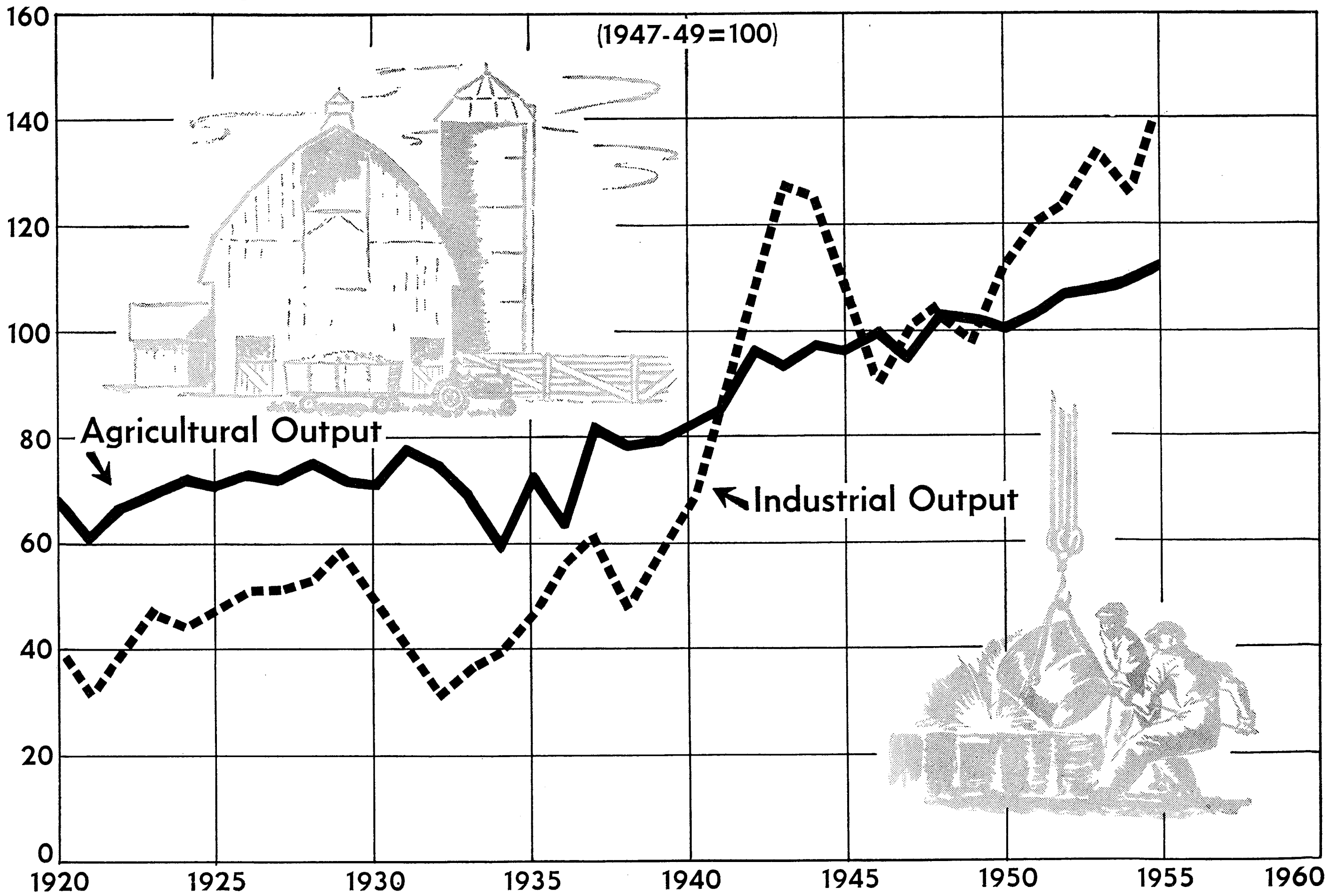


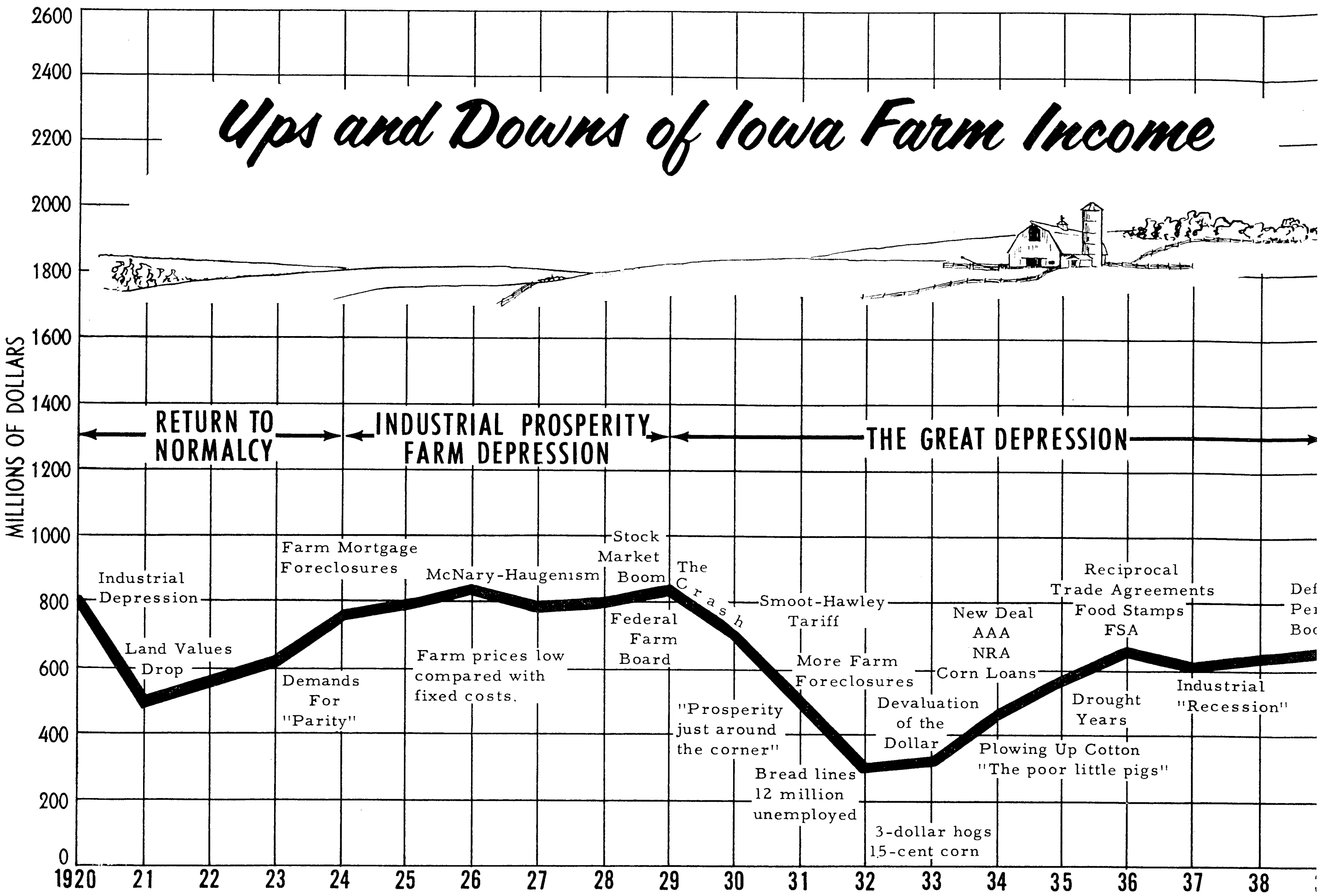
Farm Outlook...

BUSINESS activity leveled out during the late winter. Automobile output and housing lost ground. But this was offset by higher spending by business for new investment in plant and equipment.

Latest surveys indicate that businessmen plan further boosts in spending for new plant and equipment. And the downturn in housing seems to have been arrested. So business forecasters generally believe that the latter part of the year should see some business recovery—after we get past the summer slump. There isn't complete agreement on this point—a minority argue that there is enough weakness to prevent any improvement later this year.

Agricultural and Industrial Production, 1920-1955





Farm Income . . .

The earnings of any farmer from one year to the next depend on the size of his crop, the number of livestock sold, the price of those livestock and the price of any grain he might sell.

Most Iowa farmers had a smaller corn crop last year than a year earlier. They sold more hogs and cattle—but at a sharply lower price. And grain prices in general were lower.

The result: a sharp drop in 1955 farm income.

There's less fluctuation in agricultural output for the state as a whole than there is for individual farms. So the ups and downs in Iowa farm income over the years depend more on changes in general level of farm prices than on changes in production. In addition, farmers carried over some corn from the previous year for sale or feeding in 1955.

The chart on pages 10 and 11 traces the ups and downs in Iowa farming over the years for which records of Iowa farm incomes are available. Last year's drop in farm income was one of the sharpest on record. And some individual farmers had an even sharper drop than for the state as a whole. These were the farmers who were specializing in the commodity which dropped the most—hogs. Feeders of heavy cattle also took a beating.

On a nationwide basis, most of the drop in farm income took place in the Midwest. The South had a good cotton crop. And dairy and poultry prices held up for the eastern farmer.

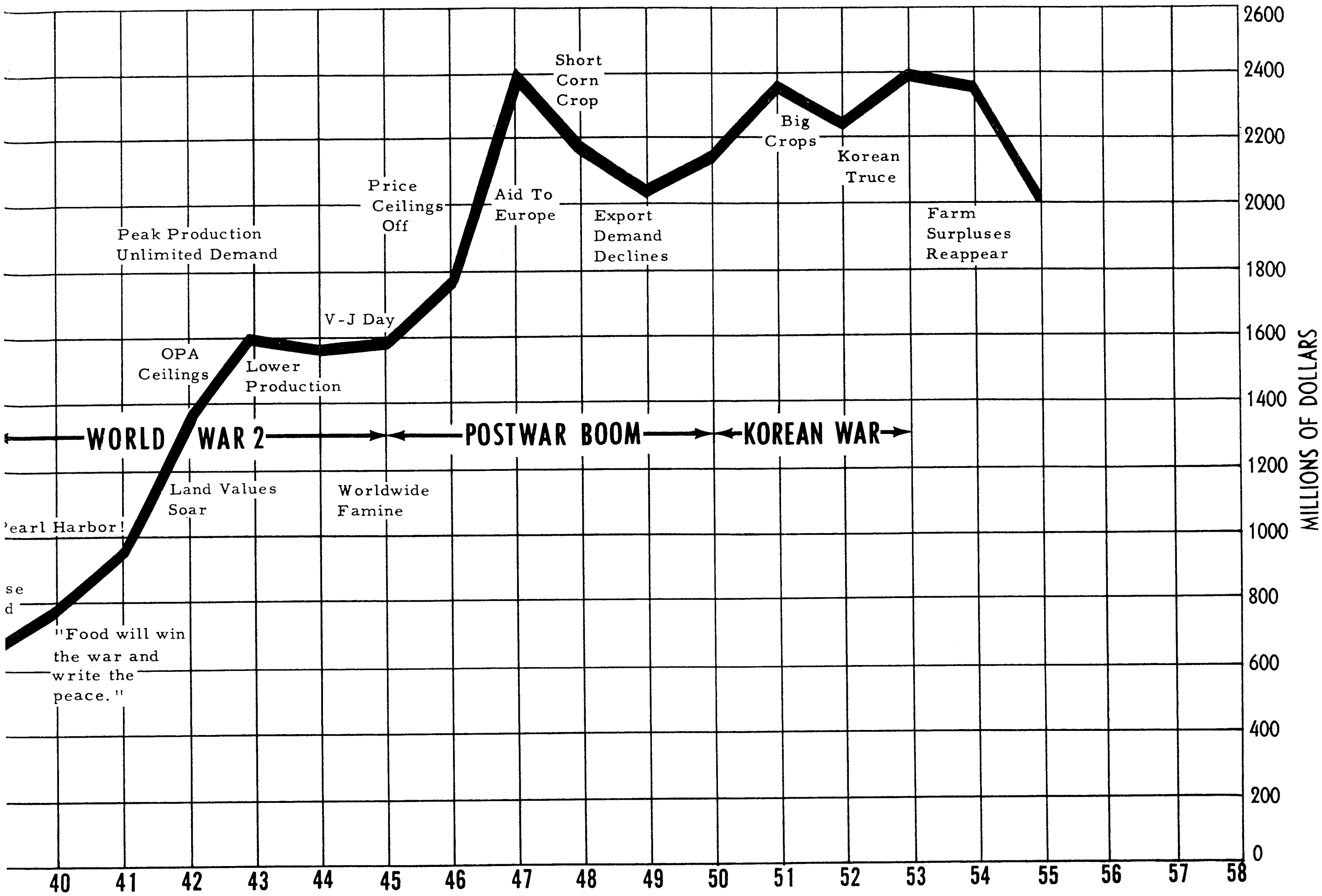
Meanwhile, costs continued their sticky tendencies. The result: The squeeze on farm profits continued.

The farm income problem of the Midwest really is one of a case of too much total capacity in farming. Studies indicate that the excess capacity is probably about 5 or 6 percent in total. That doesn't seem like much—but each percent in total reduces farm prices by an average of about 4 percent.

More pertinent to the Corn Belt is the fact that exports of wheat and cotton have slumped from the wartime and early postwar peaks.

In an effort to get these crops more nearly in balance with current demand, the USDA applied acreage allotments to wheat and cotton. Between 1953 and 1955, about 29 million acres were taken out of these two crops. And about two-thirds of these acres were diverted into feed grains—mainly oats, barley and grain sorghums. Soybeans and flax were also increased. This added to the livestock feed supply. It lowered feed prices and resulted in increased livestock output. Thus, the adjustment problem of both the cotton and wheat farmer has been at least partly shifted to the Corn Belt livestock farmer.

Looking ahead, the problem becomes one of how to bring the capacity of agriculture more near-



ly in line with the effective demand which can be expected in the next few years. The income problem of the Midwest farmer is not one which he can solve within his fence lines.

Fortunately, general demand for farm products has been good the past years. If we had been slipping into a recession, the results would have been much more severe.

More immediately, prospects are for some further drop in farm income in Iowa during 1956. Most farmers began the new year with a lower inventory than a year earlier. Last year's income was helped some by the liquidation of a carryover of farm inventories from 1954 — chiefly corn. Livestock prices and feed prices have been lower than a year ago to date in 1956. All this points to a further drop in cash returns for the year 1956.

Of course, much depends upon how crops turn out. In fact, if farmers in the drouth areas harvest a better crop, their individual incomes could be up from a year ago. And this would help soften the effects of the lower prices. Another factor is what level of price supports are finally worked out in the farm bill.

Hogs . . .

The hog market advanced steadily through March. And the interior market gained on the Chicago market. As April began, hogs hit the $16 mark at Chicago.

Slaughter of hogs has fallen off seasonally since the peak of the fall run hit the market around the first of March. The weekly slaughter pattern for the rest of the season should be trending downward. It will follow the trend of last year—but the difference from last year's totals will narrow; we didn't have as large a boost in late litters as in early fall litters. Farmers have been selling their hogs at lighter weights this year —which means earlier marketings. And, the 7 percent smaller 1956 spring pig crop intended in the Corn Belt means fewer packing sows for slaughter. On the other hand, we're not likely to make another boost in the 1956 fall pig crop comparable to that of last year. This should release more hogs for slaughter. In fact, the March 1 pig survey showed an 8-percent cut in summer pigs planned by Corn Belt farmers.

Looking ahead, the March 1 quarterly pig survey shows that Corn Belt farmers intend to cut their farrowings more this spring than they planned last December. This will be partly offset by larger farrowings in the South (which has been down on hogs for the last few years because of poor corn crops). But increase in the outside areas isn't likely to offset the larger cut in the Corn Belt.

This means that Corn Belt farmers will benefit from two price strengthening forces in the hog market next fall: fewer hogs in total, and a smaller portion of the total being in the Corn Belt. The latter force should remove most of the unusual pressure on processing facilities which was a potent price-depressing force on Iowa hog prices in November and December. In addition, the packing industry is adding to facilities.

The hog price outlook for next fall is best for late-farrowed spring pigs. Corn Belt farmers indicate they intend to raise only 1 percent fewer early spring pigs. And the South will raise mainly early pigs. But the Corn Belt is cutting back 9 percent in March-May pigs. These are the ones which hit the market in volume from late October through to early January. If we follow through with the intended 8-percent cut in summer pigs, it looks now as though the 1956 fall hog price low will come early—perhaps November.

Cattle . . .

The price of choice steers this year trended down sharply until the second week of February. Then there was a modest improvement in price into early April. In contrast, the decline, which began in January 1955, continued through March and was accelerated downward in April and May.

While choice cattle declined during January, the price on prime cattle has held about steady. This gave the widest spread since last summer. It's the result of a gradual decline in excessive numbers of long-fed cattle which have been plaguing the market since last summer.

For the week ending March 8, the average weight of beef steers at Chicago averaged 1,168 pounds—equal to the heaviest in at least 30 years! Total cattle slaughter during the first 10 weeks of 1956 was 8 percent above a year ago. But beef production was up 12 percent, because of the increase in marketing weights.

Weights were declining slightly during March, however, and discounts for overweight also were decreasing. By midyear we should have these excessive supplies worked down.

This, together with the slowdown in hog slaughter, should allow cattle prices to recuperate somewhat.

On Jan. 1 there were about 20 percent fewer calves on feed than a year earlier. During January and February, 19 percent fewer stocker and feeder calves passed through the 10 major markets. But the total calf crop in 1955 was up 1 percent above 1954.

So, while we have considerably fewer calves on feed, there must be an increase in those held over on the range. This means fewer grain-fed cattle but more grass-fed cattle will be available for slaughter next fall—just the opposite of this past fall and winter.

Average cost of stocker and feeder steers at Omaha during January and February was down $3.23 per cwt. from a year earlier. This represents a decline of 16 percent. But choice slaughter steers were down $6.77 per cwt. for a decline of 26 percent during the same period.

So, demand is holding up better for feeders than the slaughter market will justify. Abundant supplies of cheaper feed account for part of the difference. But it shows that cattlemen are optimistic regarding the prices they expect to get next fall and winter.

Much of the increase in the beef supply will be in the first half of 1956. It will consist of fed beef of the higher grades. This is a result of the carryover of older steers on Jan. 1. Farmers had fewer light cattle on feed this winter than a year ago. So the supply of fed beef in the latter part of the year won't be as great (at least the supply of the long-fed beef) as a year earlier.

More of the beef output in the second half of this year will be of the intermediate grades. There should be quite a large supply of heavier steers coming off the grass—beginning sometime in mid or late summer. The exact timing depends upon weather in the grazing areas. The spread between the upper and lower grades of steers and heifers this summer and fall should be wider than a year ago. That is, margins between choice cattle and feeder cattle should be wider during the last half of 1956 than during the past year.

Prospects aren't good for the man who buys cattle to summer on grass for sale as feeder cattle in the fall. Prospects are best for the man who has finished cattle headed for the fall market.

Poultry . . .

Poultrymen are buying more chicks than they indicated they planned to do in the Feb. 1 survey of the USDA. Hatchings of chicks for flock replacement the first two months of 1956 were about a fifth larger than a year earlier. About a tenth more eggs were in incubators on March 1 than a year ago.

In all probability, the rate of increase won't carry over into the late spring hatch. But it does indicate that we'll have considerably more early chicks than a year ago. Egg profits aren't likely to be as good this coming fall and winter as in the year just past.

Feed Grains . . .

The total acreage planted to feed grains in 1956 will be down about 6 million acres, or 4 percent, from the high level reached in 1955 if farmers carry out their March 1 planting intentions. Acreage reductions are in prospect for corn, oats and barley. Prospects are for about the same acreage of sorghums as that of last year.

Land in soybeans will rise almost 11 percent over last year, the former peak. Nearly half of the entire increase will be in Minnesota and Iowa. New varieties have permitted northward extension of the soybean area. Soybean yields and prices have been comparatively good, and weather conditions haven't been such as to hamper harvesting. The expansion in Minnesota over last year reflects a shift from barley, oats and corn. In Iowa most of the land is coming out of corn, though there possibly is some shift from hay.

All major producing areas are increasing their soybean acreage. Farmers probably were encouraged to increase planting by the sharp rise in soybean prices since November. Also, the support price for the 1956 crop—announced well in advance of the time farmers reported their March intentions—was 11 cents per bushel higher than the 1955 level.